

## Line 41— Earned Income Credit (EIC)

### What is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

### To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you **or** let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.



If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

### Step 1 All Filers

#### 1. If, in 2003:

- 2 children lived with you, is the amount on Form 1040A, line 22, less than \$33,692 (\$34,692 if married filing jointly)?
- 1 child lived with you, is the amount on Form 1040A, line 22, less than \$29,666 (\$30,666 if married filing jointly)?
- No children live with you, is the amount on Form 1040A, line 22, less than \$11,230 (\$12,230 if married filing jointly)?

☐ **Yes.** *Continue* →

☐ **No.** 

You cannot take the credit.

#### 2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 43)?

☐ **Yes.** *Continue* →

☐ **No.** 

You cannot take the credit.  
Put "No" to the left of the entry space for line 41.

#### 3. Is your filing status married filing separately?

☐ **Yes.** 

☐ **No.** *Continue* →

You cannot take the credit.

#### 4. Were you a nonresident alien for any part of 2003?

☐ **Yes.** *See Nonresident Aliens on page 43.* ☐ **No.** *Go to Step 2.*

### Step 2 Investment Income

#### 1. Add the amounts from Form 1040A:

Line 8a \_\_\_\_\_

Line 8b + \_\_\_\_\_

Line 9a + \_\_\_\_\_

Line 10a + \_\_\_\_\_

**Investment Income** =

#### 2. Is your investment income more than \$2,600?

☐ **Yes.** 

☐ **No.** *Continue* →

You cannot take the credit.

#### 3. Did a child live with you in 2003?

☐ **Yes.** *Go to Step 3 on page 41.*

☐ **No.** *Go to Step 4 on page 41.*

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**Step 3 Qualifying Child**

**A qualifying child is a child who is your...**

Son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild)

**or**

Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) whom you cared for as you would your own child

**or**

Foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child)

**AND**

**was at the end of 2003...**

Under age 19

**or**

Under age 24 and a student (see page 43)

**or**

Any age and permanently and totally disabled (see page 43)

**AND**

**who...**

Lived with you in the United States for more than half of 2003. If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 42.

**Note.** If the child was married, see page 43.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2003?

☐ **Yes.** 

You cannot take the credit. Put "No" to the left of the entry space for line 41.

☐ **No.** *Continue* 

2. Do you have at least one child who meets the above conditions to be your qualifying child?

☐ **Yes.** *Go to question 3.*

☐ **No.** *Skip question 3; go to Step 4, question 2.*

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2003?

☐ **Yes.** *See Qualifying Child of More Than One Person on page 43.*

☐ **No.** This child is your qualifying child. The child must have a valid social security number as defined on page 43 unless the child was born and died in 2003. *Skip Step 4; go to Step 5 on page 42.*

**Step 4 Filers Without a Qualifying Child**

1. Look at the qualifying child conditions in Step 3. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2003?

☐ **Yes.** 

You cannot take the credit. Put "No" to the left of the entry space for line 41.

☐ **No.** *Continue* 

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2003 tax return?

☐ **Yes.** 

You cannot take the credit.

☐ **No.** *Continue* 

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2003?

☐ **Yes.** *Continue* 

☐ **No.** 

You cannot take the credit.

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2003? Members of the military stationed outside the United States, see page 43 before you answer.

☐ **Yes.** *Go to Step 5 on page 42.*

☐ **No.** 

You cannot take the credit. Put "No" to the left of the entry space for line 41.

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**Continued from page 41****Step 5**   **Earned Income****1.** Figure earned income:

Form 1040A, line 7 \_\_\_\_\_

Subtract, if included on line 7, any:

- Taxable scholarship or fellowship grant not reported on a Form W-2.
- Amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted to the left of the entry space for line 7 of Form 1040A).
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (put "DFC" and the amount subtracted to the left of the entry space for line 7 of Form 1040A). This amount may be shown in box 11 of your Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.

**Earned Income =** **2.** If you have:

- 2 or more qualifying children, is your earned income less than \$33,692 (\$34,692 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$29,666 (\$30,666 if married filing jointly)?
- No qualifying children, is your earned income less than \$11,230 (\$12,230 if married filing jointly)?

☐ **Yes.** Go to Step 6.☐ **No.** 

You cannot take the credit.

**Step 6**   **How To Figure the Credit****1.** Do you want the IRS to figure the credit for you?☐ **Yes.** See *Credit Figured by the IRS* on this page.☐ **No.** Go to the worksheet on page 44.**Definitions and Special Rules***(listed in alphabetical order)*

**Adopted Child.** An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.

**Credit Figured by the IRS.** To have the IRS figure the credit for you:

1. Put "EIC" to the left of the entry space for line 41 of Form 1040A.
2. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, Who Must File, below.

**Exception to "Time Lived With You" Condition.** A child is considered to have lived with you for all of 2003 if the child was born or died in 2003 and your home was this child's home for the entire time he or she was alive in 2003. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Pub. 596 to find out if that child is a qualifying child for the EIC. To get Pub. 596, see page 7. If you were in the military stationed outside the United States, see Members of the Military on page 43.

**Form 8862, Who Must File.** You must file Form 8862 if your EIC for a year after 1996 was reduced or disallowed for any reason other than a math or clerical error. But you do not have to file Form 8862 if either of the following applies.

- After your EIC was reduced or disallowed in an earlier year (a) you filed Form 8862 (or other documents) and your EIC was then allowed and (b) your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.
- You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the earlier year was because it was determined that a child listed on Schedule EIC was not your qualifying child.

Also, do not file Form 8862 or take the credit for 2 years if it was determined that your error was due to reckless or intentional disregard of the EIC rules (or 10 years if due to fraud).

*(Continued on page 43)*